



Treasury Inspector General for Tax Administration

THE GROWING NUMBER OF REQUESTS FOR PROCUREMENT ACTIONS AT YEAREND INCREASES THE RISK OF INEFFICIENT AND INEFFECTIVE SPENDING

Issued on September 24, 2007

Highlights

Highlights of Report Number: 2007-10-181 to the Internal Revenue Service Deputy Commissioner for Operations Support.

IMPACT ON TAXPAYERS

Internal Revenue Service (IRS) yearend procurements are increasing dramatically. The rush to use funds before they expire at fiscal yearend increases the risk that items purchased may not meet the requester's need, were not obtained at the best possible price, or did not use the best vendor or type of contract. Therefore, funds may be spent inefficiently and ineffectively (i.e., not in the best interest of the Federal Government or the American taxpayer).

WHY TIGTA DID THE AUDIT

TIGTA conducted this audit to determine whether the IRS is efficiently managing its fiscal yearend spending. This audit was part of TIGTA's Fiscal Year 2007 annual audit plan.

WHAT TIGTA FOUND

Fiscal yearend procurements have increased dramatically over the last 5 fiscal years, both in dollar value and number of requests. The dollar value of commitments in the Request Tracking System for the month of September in Fiscal Year 2002 was \$17 million. In contrast, for Fiscal Year 2006, the value of commitments in September had increased 671 percent to more than \$131 million. In addition, the number of commitments had increased by approximately 29 percent, from 1,182 in Fiscal Year 2002 to 1,529 in Fiscal Year 2006. If the trend for spending at fiscal yearend on procurement actions continues to increase, there is a strong risk that the Office of Procurement (Procurement) will eventually be unable to handle the workload.

In addition to these trends, TIGTA identified deficiencies with 14 (15 percent) of 92 procurement actions awarded in August and September 2006. TIGTA believes appropriations regulations may have been violated for

4 of the actions, while all required acquisition steps were not completed for the remaining 10 actions.

WHAT TIGTA RECOMMENDED

TIGTA recommended the Deputy Commissioner for Operations Support, with support, assistance, and input from the Deputy Commissioner for Services and Enforcement, ensure business unit fiscal yearend procurement budgetary decisions and planning are performed in a manner that results in the early involvement of Procurement in the acquisition process. The Director, Procurement, should review the 14 actions noted in this audit and ensure all acquisition steps were completed and fully documented in the contract files. Further, the Director, Procurement, should reinforce with Procurement personnel the importance of completing all acquisition steps and issue guidance to the business units regarding the requirements governing the use of appropriate fiscal year funding.

In their response, IRS officials stated they agreed with the recommendations. They plan to attach a memorandum, signed by each Deputy Commissioner, to the Advanced Acquisition Planning Information Request and Transmittal. The memorandum will emphasize the importance of teaming with Procurement at the earliest stages of the acquisition life cycle. Procurement completed a review of the 14 actions and plans to place a Memo of Record in each contract file acknowledging acceptance of the violation for 13 of the actions. For the remaining action, Procurement's review showed the services were nonseverable and were obligated in the appropriate fiscal year. TIGTA accepts Procurement's review results as positive action taken in response to the recommendation. In addition, Procurement plans to complete previously overlooked acquisition steps, and the Director, Procurement, plans to issue an email to all Procurement personnel advising them of the importance of adhering to procurement regulations and policies at all times. Finally, Procurement plans to develop a discussion paper regarding bona fide need and discuss the topic at the Acquisition Planning Conference.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response, go to:

<http://www.treas.gov/tigta/auditreports/2007reports/200710181fr.pdf>

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